Banking for Business

Compare financial institutions through a bakery owner's choices.

GE.5.6 "Research the structure of financial institutions and analyze the consumer and commercial products offered."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline who owns each institution, circle products for personal use, and number products for business use so you can compare their structures and services.

Where Should Maya Bank?

1. When Maya plans to open a neighborhood bakery, she compares two places to keep money: a commercial bank and a credit union. A commercial bank is owned by investors and operates to earn a profit. A credit union is a nonprofit cooperative owned by its members, who must meet its membership rules. Members can vote for its board. Both institutions can accept deposits and make loans, but their ownership and goals differ. Eligible deposits at federally insured banks and credit unions are protected by separate federal programs, the FDIC and NCUA, respectively, subject to coverage limits.

2. Before the bakery opens, Maya needs a personal checking account for bills and a savings account for emergencies. A bank or credit union may offer both, along with a car loan that a household repays over time. These are consumer products because they serve personal needs. Once Maya sells bread, she needs a business checking account to separate bakery payments from household spending. She also considers a business line of credit to cover flour costs while waiting for customers to pay. These are commercial products because they serve a business, although particular institutions may offer different terms and services.

3. Maya compares a bank with several branches and a credit union whose membership rules she meets. The bank offers merchant processing, which lets her accept card payments, but charges a monthly service fee. The credit union offers business checking with a lower monthly fee, but its card processing costs more per sale. She estimates how many card sales she expects before choosing. She also checks loan rates and repayment terms rather than assuming one type of institution is always cheaper. The Federal Reserve influences borrowing conditions through monetary policy and supervises certain banks, but it does not offer Maya a checking account.

2 ANSWER WITH EVIDENCE

Use the passage

1. How does ownership differ between the bank and credit union Maya considers, even though both can accept deposits and make loans?

2. Why would Maya use a business checking account instead of her personal checking account for bakery sales?

3. Why should Maya estimate her number of card sales before comparing the bank's and credit union's business services?

4. Why is the Federal Reserve not a substitute for either institution when Maya needs a checking account?

3 YOUR TURN

Your own words

Imagine you start a mobile bicycle repair business and expect 20 card sales each month. A bank offers business checking for $12 a month with no additional fee per card sale; a credit union you can join offers it for $0 a month plus $1 per card sale. In four sentences, choose the less costly option, name one consumer product for your personal needs and one commercial product for your business, and explain how the institutions' ownership differs.

ANSWER KEY

Banking for Business

HIGH SCHOOL · GE.5.6

PART 1 · READ AND MARK

Underline who owns each institution, circle products for personal use, and number products for business use so you can compare their structures and services. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How does ownership differ between the bank and credit union Maya considers, even though both can accept deposits and make loans?	**Investors own the for-profit bank. Members own the nonprofit credit union and can vote for its board.**
2	Why would Maya use a business checking account instead of her personal checking account for bakery sales?	**Business checking is a commercial product that keeps bakery payments separate from household spending; personal checking serves her own bills.**
3	Why should Maya estimate her number of card sales before comparing the bank's and credit union's business services?	**The bank charges a monthly service fee, while the credit union has a lower monthly fee but higher card processing costs per sale. Her number of sales affects the total cost.**
4	Why is the Federal Reserve not a substitute for either institution when Maya needs a checking account?	**The Federal Reserve influences borrowing conditions and supervises certain banks, but it does not offer Maya a checking account.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

I would choose the bank because 20 card sales would cost $12 there but $20 at the credit union. I would use a personal savings account for emergencies. I would use business checking to keep repair payments separate from my personal money. The bank is owned by investors, while the credit union is owned by members.

Accept any accurate consumer and commercial product named in Part 3. The bank is the less costly choice under the stated fees: $12 compared with $20 for 20 card sales.